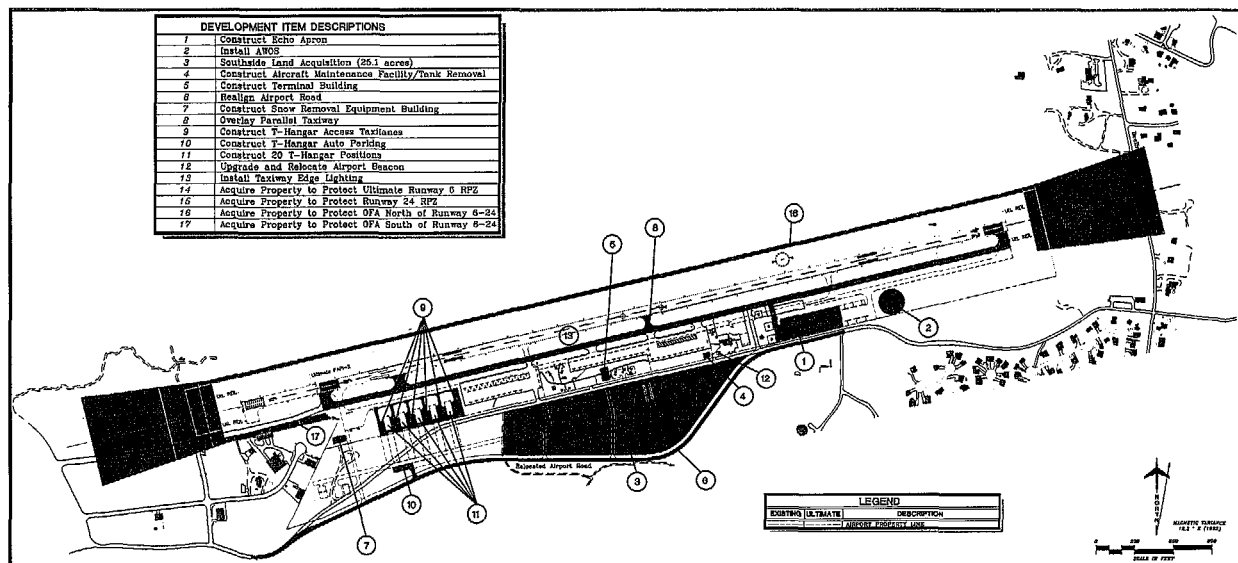


*Payson*  
*Municipal Airport*

**Chapter Six**  
**FINANCIAL PLAN**

## Chapter Six

# FINANCIAL PLAN



The successful implementation of the Payson Municipal Airport Master Plan will require sound judgement on the part of Town management. Among the more important factors influencing decisions to carry out a recommendation are timing and airport activity. Both of these factors should be used as references in plan implementation.

Experience has indicated that major problems have materialized from the standard format of past planning documents. These problems center around the plan's inflexibility and inherent inability to deal with new issues that develop from unforeseen changes that may occur after it is completed. The demand-based format used in the development of this master plan has attempted to deal with this issue.

While it is necessary for scheduling and budgeting purposes to consider the

timing of airport development, the actual need for facilities is established by airport activity. Proper master planning implementation suggests the use of airport activity levels rather than time as guidance for development. Tracking airport activity levels and then comparing these to forecast activity levels and facility requirements provides decision-makers with the ability to anticipate and plan for when actual facilities are needed.

This chapter of the Master Plan is intended to become one of the primary references for decision-makers responsible for implementing master plan recommendations. Consequently, the narrative and graphic presentations provides an understanding of each recommended development item. This understanding will be critical in maintaining a realistic and cost-effective program that provides maximum benefit to the Town of

Payson, State of Arizona, FAA, and airport users.

The presentation of the financial plan has been organized into two sections. First, the airport development schedule is presented in narrative and graphic form. Secondly, airport improvement funding sources on the federal, state, and local levels are identified and discussed.

### **AIRPORT DEVELOPMENT SCHEDULE AND COST SUMMARIES**

The airport development schedule presented in this chapter outlines the costs for each recommended project and estimates when development should take place. The program outlined on the following pages has been evaluated from a variety of perspectives and represents the culmination of a comparative analysis of basic budget factors, demand, and priority assignments.

Since forecast demand and operational changes can change, frequently on short notice, the airport development schedule has been divided into planning horizons, reflecting short term (0-5 years), intermediate (6-10 years), and long term (10-20 years) goals and needs. Planning horizons are intended to reflect the fact that many future improvements for the airport are demand-based, rather than time-based, and that the actual need to improve facilities will be linked to specific and verifiable activity. The airport development schedule should be viewed

as a fluid document which can be modified to reflect actual growth in airport activity. The short-term planning period covers items of highest priority. Because of their priority, these are the only items scheduled year-by-year so as to be easily incorporated into Town, State, and FAA programming.

**Table 6A** summarizes the airport development schedule for Payson Municipal Airport. In addition to the listing of actual improvement projects, an estimate has been made of the timing for implementation and federal and state funding eligibility for each airport improvement project as well as the local share costs for completing the recommended improvements. Due to the conceptual nature of a master plan, implementation of capital improvement projects should occur only after further refinement of their design and costs through engineering and/or architectural analyses. Capital costs in this chapter should be viewed only as estimates subject to further refinement during design. Nevertheless, these estimates are considered sufficient for performing the feasibility analyses in this chapter.

### **SHORT TERM PLANNING HORIZON IMPROVEMENTS**

As indicated above, the short term planning horizon is the only development stage that is correlated to time. This is because development within this initial period is concentrated on the most immediate needs of the airport. Therefore, the program is

**TABLE 6A****Airport Development Schedule**

|  | <b>Total Cost</b>  | <b>FAA</b>         | <b>ADOT</b>        | <b>Local</b>     |
|--|--------------------|--------------------|--------------------|------------------|
| <b>Short Term Planning Horizon</b>                     |                    |                    |                    |                  |
| <b>FY 1998-1999</b>                                    |                    |                    |                    |                  |
| 1.Install AWOS   | \$87,854           | \$80,000           | \$3,927            | \$3,927          |
| 2.Construct Echo Apron                                 | \$669,888          | \$610,000          | \$29,944           | \$29,944         |
| 3.Southside Land Acquisition (25.1 acres)              | 627,500            | 0                  | 564,750            | 62,750           |
| 4.Construct Aircraft Maintenance Facility/Tank Removal | 250,000            | 0                  | 225,000            | 25,000           |
| 5.Terminal Building Design                             | 80,000             | 0                  | 72,000             | 8,000            |
| 6.Lighting and Electrical System Improvements          | 347,650            | 0                  | 312,885            | 34,765           |
| <b>Subtotal FY1998-1999</b>                            | <b>\$2,062,892</b> | <b>\$690,000</b>   | <b>\$1,208,506</b> | <b>\$164,386</b> |
| <b>FY 1999-2000</b>                                    |                    |                    |                    |                  |
| 1.Construct Terminal Building                          | \$850,000          | \$0                | \$765,000          | \$85,000         |
| 2.Realign Airport Road (Phase I)                       | 400,000            | 364,240            | 17,880             | 17,880           |
| 3.Construct Equipment Storage Building                 | 175,000            | 0                  | 157,500            | 17,500           |
| <b>Subtotal FY 1999-2000</b>                           | <b>\$1,425,000</b> | <b>\$364,240</b>   | <b>\$940,380</b>   | <b>\$120,380</b> |
| <b>FY 2000-2001</b>                                    |                    |                    |                    |                  |
| 1.Overlay Parallel Taxiway                             | \$404,000          | \$367,882          | \$18,059           | \$18,059         |
| 2.Construct T-Hangar Access Taxilanes                  | 385,000            | 350,581            | 17,210             | 17,210           |
| 3.Construct T-Hangar Auto Parking                      | 50,000             | 0                  | 45,000             | 5,000            |
| 4.Construct 20 T-hangar Positions *                    | 400,000            | 0                  | 0                  | 400,000          |
| 5.Realign Airport Road (Phase II)                      | 400,000            | 364,240            | 17,880             | 17,880           |
| <b>Subtotal FY 2000-2001</b>                           | <b>\$1,639,000</b> | <b>\$1,082,703</b> | <b>\$98,148</b>    | <b>\$458,148</b> |
| <b>FY 2001-2002</b>                                    |                    |                    |                    |                  |
| 1.Upgrade and Relocate Airport Beacon                  | \$60,000           | \$54,636           | \$2,682            | \$2,682          |
| 2.Pavement Preservation                                | 100,000            | \$91,060           | \$4,470            | \$4,470          |
| 3.Install Taxiway Edge Lighting                        | 350,000            | 318,710            | 15,645             | 15,645           |
| 4.Realign Airport Road (Phase III)                     | 400,000            | 364,240            | 17,880             | 17,880           |
| <b>Subtotal FY 2001-2002</b>                           | <b>\$910,000</b>   | <b>\$828,646</b>   | <b>\$40,677</b>    | <b>\$40,677</b>  |
| <b>FY 2002-2003</b>                                    |                    |                    |                    |                  |
| 1.Acquire Property to Protect Ultimate Rwy 6 RPZ       | \$293,000          | \$266,806          | \$13,097           | \$13,097         |
| 2.Acquire Property to Protect Runway 24 RPZ            | 315,000            | 286,839            | 14,080             | 14,081           |
| 3.Acquire Property to Protect OFA No. of Rwy 6-24      | 93,000             | 84,686             | 4,157              | 4,157            |
| 4.Acquire Property to Protect OFA So. of Rwy 6-24      | 25,000             | 22,765             | 1,118              | 1,118            |
| <b>Subtotal FY 2002-2003</b>                           | <b>\$726,000</b>   | <b>\$661,096</b>   | <b>\$32,452</b>    | <b>\$32,452</b>  |
| <b>Total Short Term Planning Horizon</b>               | <b>\$5,369,888</b> | <b>\$3,546,685</b> | <b>\$1,141,601</b> | <b>\$681,601</b> |
| <b>Intermediate Term Planning Horizon</b>              |                    |                    |                    |                  |
| 1.Pavement Preservation                                | \$100,000          | \$0                | \$90,000           | \$10,000         |
| 2.Southside Land Acquisition                           | 500,000            | 0                  | 450,000            | 50,000           |
| 3.Overlay Bravo Apron                                  | 111,000            | 101,077            | 4,962              | 4,962            |
| 4.Overlay Charlie Apron                                | 118,500            | 107,906            | 5,297              | 5,297            |
| 5.Install PAPI to Runway 6                             | 65,000             | 59,189             | 2,906              | 2,906            |
| 6.Install REILs Each Runway End                        | 150,000            | 136,590            | 6,705              | 6,705            |
| 7.Construct T-hangar Access Taxilanes                  | 160,000            | 145,696            | 7,152              | 7,152            |
| 8.Construct T-Hangar Auto Parking                      | 50,000             | 45,530             | 2,235              | 2,235            |
| 9.Construct 10 T-hangars *                             | 260,000            | 0                  | 0                  | 260,000          |
| 10.Construct Helipad                                   | 50,000             | 45,530             | 2,235              | 2,235            |
| 11.Expand Echo Apron                                   | 300,000            | 273,180            | 13,410             | 13,410           |
| 12.Extend Runway 6-24 600 Feet West                    | 500,000            | 455,300            | 2,350              | 22,350           |
| <b>Total Intermediate Term Planning Horizon</b>        | <b>\$2,364,500</b> | <b>\$1,369,998</b> | <b>\$607,251</b>   | <b>\$387,251</b> |

**TABLE 6A (Continued)**  
**Airport Development Schedule**

|   | <b>Total Cost</b>   | <b>FAA</b>         | <b>ADOT</b>        | <b>Local</b>       |
|---|---------------------|--------------------|--------------------|--------------------|
| <b>Long Term Planning Horizon</b>                           |                     |                    |                    |                    |
| 1. Construct Runway Exit Taxiways                           | \$50,000            | \$45,530           | \$2,235            | \$2,235            |
| 2. Relocate Payson Hangar One                               | 25,000              | 0                  | 22,500             | 2,500              |
| 3. Expand Charlie Apron (9,500 s.y.)                        | 475,000             | 432,535            | 21,233             | 21,233             |
| 4. Construct Helipad  | 50,000              | 45,530             | 2,235              | 2,235              |
| 5. Install PLASIs at Each Helipad                           | 100,000             | 91,060             | 4,470              | 4,470              |
| 6. Pavement Preservation                                    | 200,000             | 0                  | 180,000            | 20,000             |
| 7. Construct T-hangar Access Taxilanes                      | 190,000             | 173,014            | 8,493              | 8,493              |
| 8. Construct T-Hangar Auto Parking                          | 50,000              | 45,530             | 2,235              | 2,235              |
| 9. Construct 10 T-hangars *                                 | 200,000             | 0                  | 0                  | 200,000            |
| 10. Expand Bravo Apron (7,700 s.y.)                         | 385,000             | 350,581            | 17,210             | 17,210             |
| 11. Relocate Parallel Taxiway 240 Feet South of Runway 6-24 | 1,725,000           | 1,570,785          | 77,108             | 77,108             |
| <b>Total Long Term Planning Horizon</b>                     | <b>\$3,450,000</b>  | <b>\$2,754,565</b> | <b>\$337,718</b>   | <b>\$357,718</b>   |
| <b>Total Airport Development</b>                            | <b>\$11,184,388</b> | <b>\$7,671,248</b> | <b>\$2,086,570</b> | <b>\$1,426,570</b> |
| * Eligible for State Airport Loan Program                   |                     |                    |                    |                    |

presented year-by-year to assist in capital improvement programming.

The short term planning horizon outlines the anticipated capital needs of airport over the next five fiscal years (FY 1998-1999 to FY 2002-2003). The anticipated development grant from the FAA for the current fiscal year is included for information purposes. This \$610,000 FAA grant is planned to be used on the redevelopment of the Echo apron south of its present position. **Short term planning horizon improvements are estimated to cost approximately \$5.369 million and include the following:**

**Pavement Preservation:** A pavement analysis completed as part of this Master Plan noted that while the parallel taxiway was in good to excellent condition, many portions of the parallel taxiway have insufficient

pavement strength. Pavement strengths along the taxiway vary from 4,000 pounds to 40,000 pounds. An overlay of the parallel taxiway is programmed for FY 2000-2001 and is intended to increase pavement strengths to be comparable with the runway. A slurry seal will be applied to all pavement areas in 1998 and should be completed every three years. The application of a protective slurry seal to all pavement areas is programmed for FY 2001-2002 to continue the process of protecting airport pavement. The remainder of the airport development program includes provisions for similar pavement preservation projects.

**Land Acquisition:** Presently, the runway protection zone (RPZ) for each end of Runway 6-24 and the object free area (OFA) extend beyond the existing airport property line. Positive control of these areas is recommended by the

FAA. The acquisition of approximately 29 acres of avigation easements is programmed for FY 2002-2003 to protect these surfaces. The acquisition of 25.1 acres of State Trust land along the south side of the airport is programmed for FY 1998-1999 to provide additional land area for the expansion of landside facilities to accommodate forecast demand and provide sufficient lateral clearance from the runway to provide for the ultimate relocation of the parallel taxiway. The 25.1 acre parcel of land resulted from the Town dividing 38.6 acres of State Trust land south of the airport with a private company. The 25.1 acres of land will become contiguous with airport property when Airport Road is relocated. The Airport Road realignment is programmed for Fiscal Years 1999-2000 to 2001-2002.

**Facility Development:** The development of a new public terminal building, snow removal equipment storage building, 20 T-hangars, and aircraft wash and maintenance facility are included in short term planning horizon. A new terminal building will replace the existing undersized facility located along the transient apron, in an area reserved for the future parallel taxiway relocation. The new terminal will be developed adjacent to the existing campground parking lot. An airport maintenance and snow removal equipment building is planned to provide a covered area for the maintenance and storage of airport equipment. An aircraft wash and maintenance facility is planned for the area where the underground storage tanks are located. The development of

20 enclosed T-hangars is planned for the area between Bravo Apron and the planned fuel storage facility. The development of taxiway access and auto parking is eligible for state and federal grant assistance. The development of T-hangars is not eligible for grant assistance; however, this project is eligible under the State Airport Loan Program.

**Airport Lighting:** The relocation and upgrade of the existing airport beacon and installation of taxiway edge lighting is programmed for FY 2001-2002. A larger, brighter airport beacon is needed to provide better visibility to pilots. The airport beacon is currently located in the area reserved for the ultimate development of helipads. Presently, much of the taxiway system is without taxiway edge lighting. Taxiway edge lighting will enhance the safety of ground movements at night.

**Exhibit 6A** provides a graphical depiction of short term planning horizon improvements.

## **INTERMEDIATE PLANNING HORIZON**

Many of the intermediate planning horizon improvements are intended to increase the runway service level. A 600-foot extension to Runway 6-24 is intended to provide additional runway length for business jet operations whose performance is limited by summer-time temperatures and the airport's elevation. Global positioning system (GPS) approaches will aid aircraft in locating and landing at the airport

during poor weather conditions. The installation of runway end identification lighting (REILs) at each runway end will aid pilots in locating the landing threshold while the installation of a precision approach path indicator to Runway 6 will aid pilots in determining the correct descent path to the runway during visual conditions.

Additional intermediate planning horizon improvements include purchasing additional land south of the airport to allow for a relocated airport road for continued T-hangar development, overlaying older pavement areas along the Bravo and Charlie apron areas, expanding Echo apron, and constructing a helipad along the west side Echo apron. **Total intermediate planning horizon improvements are estimated to cost approximately \$2.364 million.** Exhibit 6B provides a graphical depiction of intermediate planning horizon improvements.

## **LONG TERM PLANNING HORIZON**

By the end of the long term planning horizon, the airport is expected to have 100 based aircraft and have an annual traffic volume of nearly 50,000 operations. Improvements over the long term planning horizon are designed to keep the airport in pace with projected based aircraft and operational needs.

As the airport exceeds intermediate planning horizon operational milestones, it will be necessary to construct additional T-hangars and an

additional helipad. Additional runway exit taxiways are planned to provide additional airfield capacity. An expansion of the Charlie and Bravo apron areas will provide additional aircraft tiedown positions for based aircraft and larger transient aircraft. The existing parallel taxiway is planned 90 feet south of its present position to conform with FAA design standards. **Total long term planning horizon improvements are estimated to cost approximately \$11.184 million.** Exhibit 6C provides a graphical depiction of long term planning horizon improvements.

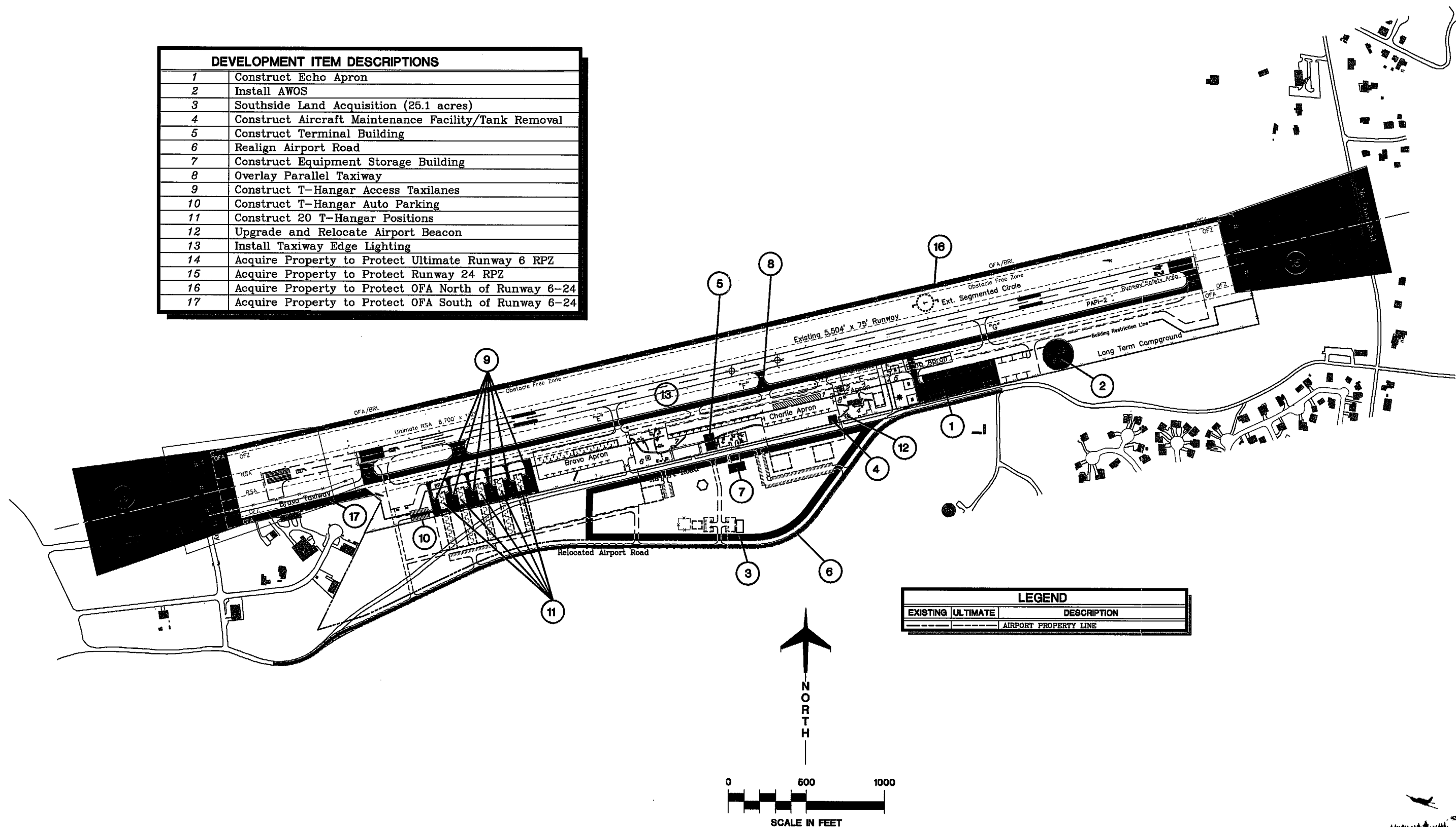
## **AIRPORT DEVELOPMENT AND FUNDING SOURCES**

Financing future airport improvements will not rely exclusively upon the financial resources of the Town of Payson. Airport improvement funding assistance is available through various grant-in-aid programs at both the state and federal levels. The following discussion outlines the key sources for airport improvement funding and how they can contribute to the successful implementation of this master plan.

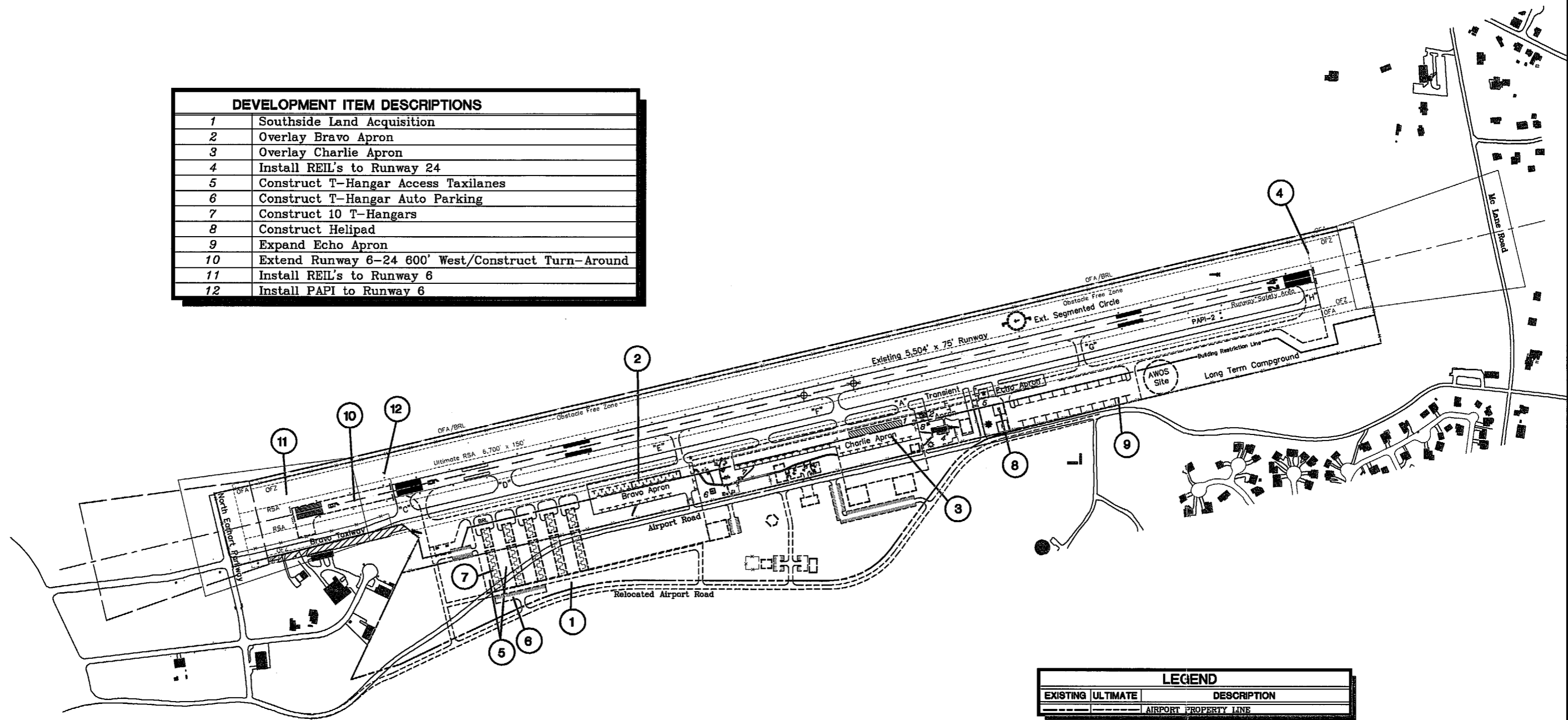
### **FEDERAL AID TO AIRPORTS**

The United States Congress has long recognized the need to develop and maintain a system of aviation facilities across the nation for national defense and promotion of interstate commerce. Various grant-in-aid programs to public airports have been established over the years for this purpose. The current

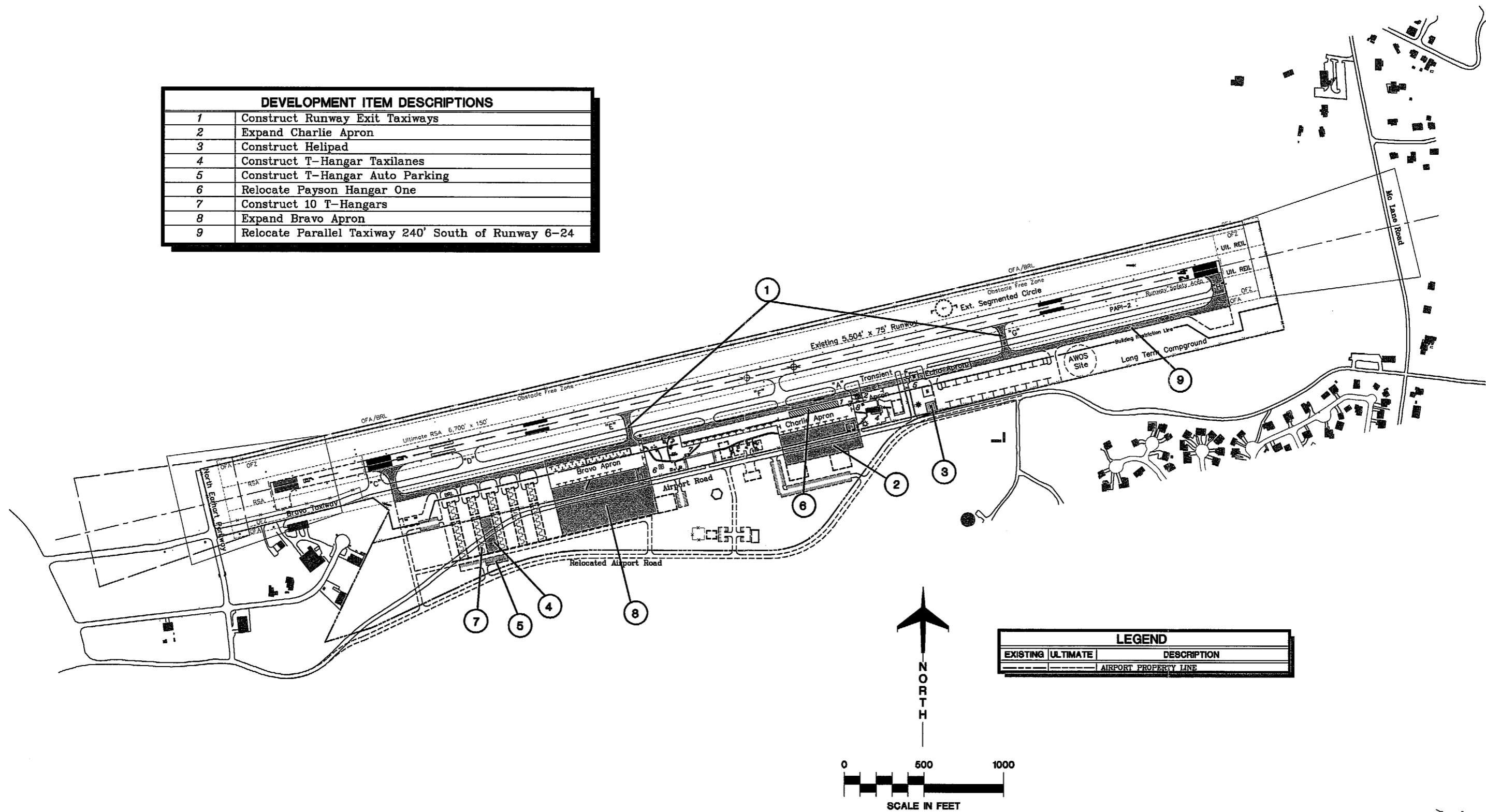
| DEVELOPMENT ITEM DESCRIPTIONS |  |
|-------------------------------|--|
| 1                             | Construct Echo Apron                                 |
| 2                             | Install AWOS   |
| 3                             | Southside Land Acquisition (25.1 acres)              |
| 4                             | Construct Aircraft Maintenance Facility/Tank Removal |
| 5                             | Construct Terminal Building                          |
| 6                             | Realign Airport Road                                 |
| 7                             | Construct Equipment Storage Building                 |
| 8                             | Overlay Parallel Taxiway                             |
| 9                             | Construct T-Hangar Access Taxilanes                  |
| 10                            | Construct T-Hangar Auto Parking                      |
| 11                            | Construct 20 T-Hangar Positions                      |
| 12                            | Upgrade and Relocate Airport Beacon                  |
| 13                            | Install Taxiway Edge Lighting                        |
| 14                            | Acquire Property to Protect Ultimate Runway 6 RPZ    |
| 15                            | Acquire Property to Protect Runway 24 RPZ            |
| 16                            | Acquire Property to Protect OFA North of Runway 6-24 |
| 17                            | Acquire Property to Protect OFA South of Runway 6-24 |



| DEVELOPMENT ITEM DESCRIPTIONS |  |
|-------------------------------|--|
| 1                             | Southside Land Acquisition                         |
| 2                             | Overlay Bravo Apron                                |
| 3                             | Overlay Charlie Apron                              |
| 4                             | Install REIL's to Runway 24                        |
| 5                             | Construct T-Hangar Access Taxilanes                |
| 6                             | Construct T-Hangar Auto Parking                    |
| 7                             | Construct 10 T-Hangars                             |
| 8                             | Construct Helipad                                  |
| 9                             | Expand Echo Apron                                  |
| 10                            | Extend Runway 6-24 600' West/Construct Turn-Around |
| 11                            | Install REIL's to Runway 6                         |
| 12                            | Install PAPI to Runway 6                           |



| DEVELOPMENT ITEM DESCRIPTIONS |   |
|-------------------------------|---|
| 1                             | Construct Runway Exit Taxiways                      |
| 2                             | Expand Charlie Apron                                |
| 3                             | Construct Helipad                                   |
| 4                             | Construct T-Hangar Taxilanes                        |
| 5                             | Construct T-Hangar Auto Parking                     |
| 6                             | Relocate Payson Hangar One                          |
| 7                             | Construct 10 T-Hangars                              |
| 8                             | Expand Bravo Apron                                  |
| 9                             | Relocate Parallel Taxiway 240' South of Runway 6-24 |



federal grant-in-aid program is the Airport Improvement Program (AIP). AIP has been reauthorized several times with the most recent reauthorization (the Federal Aviation Authorization Act of 1996) extending through federal fiscal year 1998. Funding is authorized at \$2.28 billion for fiscal year 1997 and at \$2.347 billion for fiscal year 1998. Unfortunately, the funding levels authorized in the legislation are not always the levels appropriated in the annual Congressional budget process. In fiscal year 1996, the AIP authorized level was \$2.161 billion, but only \$1.45 billion was appropriated. Only \$1.46 billion of the authorized \$2.28 billion was appropriated in 1997. For fiscal year 1998, \$1.7 billion of the authorized \$2.347 billion was appropriated.

The source for AIP funds is the Aviation Trust Fund. The Aviation Trust Fund was established in 1970 to provide funding for aviation capital investment programs (e.g., facilities and equipment, research and development, and grants for airport development and expansion projects). A majority of the FAA's operations account is financed through the Aviation Trust Fund. The Aviation Trust Fund is funded by federal user fees and taxes on airline tickets, aviation fuel, and various aircraft parts.

AIP Funds are distributed each year by the FAA under authorization from the United States Congress. A portion of each year's authorized level of AIP funding is distributed to all eligible commercial service airports through an

entitlement program that guarantees a minimum level of federal assistance each year. These dollars are calculated based upon enplanement and cargo service levels.

The remaining AIP funds are distributed by the FAA to airports based upon the priority of the project for which they have requested Federal assistance. A National Priority Ranking System is used to evaluate and rank each airport project. Those projects with the highest priority are given preference in funding.

Each airport project for Payson Municipal Airport must follow this procedure and compete with other airport projects in the State for AIP State Apportionment dollars and across the country for other Federal AIP funds. An important point to consider is that, unlike entitlement dollars for commercial service airports, federal funding is not guaranteed for Payson Municipal Airport.

In Arizona, airport development projects that meet FAA's eligibility requirements receive 91.06 percent funding from the AIP. Eligible projects include any public use facility such as airfield and apron improvements. Revenue generating improvements such as fuel facilities and hangars are generally not eligible for AIP funding. FAA has historically not funded these types of facilities, but currently are under review by the agency for consideration as an eligible airport improvement in the future.

## **FAA FACILITIES AND EQUIPMENT PROGRAM**

The Airway Facilities Division of the FAA administers the national Facilities and Equipment (F&E) Program. This annual program provides funding for the installation and maintenance of various navigational aids and equipment for the national airspace system and airports. Under the F&E program, funding is provided for FAA air traffic control towers, enroute navigational aids such as VOR's, and on-airport navigational aids such as PAPIs, and approach lighting systems. As activity levels and other development warrant, the airport may be considered by the FAA Airways Facilities Division for the installation and maintenance of navigational aids through the F&E program. Recommended improvements in this master plan which may be eligible for funding through the F&E program include the REILs for each runway end and the PAPI to Runway 6. Should the Airway Facilities Division of the FAA install these navigational aids at the airport, they would be operated and maintained by the FAA at no expense to the airport.

## **STATE AID TO AIRPORTS**

In support of the state airport system, the State of Arizona also participates in airport improvement projects. The source for State airport improvement funds is the Arizona Aviation Fund. Taxes levied by the State on aviation fuel, flight property, aircraft registration tax, and registration fees,

(as well as interest on these funds) are deposited in the Arizona Aviation Fund. The Transportation Board establishes the policies for distribution of these State funds.

Under the State of Arizona grant program, an airport can receive funding for one-half (4.47 percent) of the local share of projects receiving federal AIP funding. The State also provides 90 percent funding for projects, such as pavement maintenance, which are not eligible for AIP funding.

## **State Airport Loan Program**

The Arizona Department of Transportation - Aeronautics Division (ADOT) recently established the Airport Loan Program. This program was established to enhance the utilization of State funds and provide a flexible funding mechanism to assist airports in funding improvement projects. Eligible projects include runway, taxiway, and apron improvements; land acquisition, planning studies, and the preparation of plans and specifications for airport construction projects, as well as revenue generating improvements such as hangars and fuel storage facilities. Projects which are not currently eligible for the State Airport Loan Program are considered if the project would enhance the airport's ability to be financially self-sufficient.

There are three ways in which the loan funds can be used: Grant Advance, Matching Funds, or Revenue Generating Projects. The Grant Advance loan funds are provided when

the airport can demonstrate the ability to accelerate the development and construction of a multi-phase project. The project(s) must be compatible with the Airport Master Plan and be included in the ADOT 5-year Airport Development Program. The Matching Funds are provided to meet the local matching fund requirement for securing federal airport improvement grants or other federal or state grants. The Revenue Generating funds are provided for airport-related construction projects that are not eligible for funding under another program.

## LOCAL FUNDING

The balance of project costs, after consideration has been given to grants, must be funded through local resources. There are several alternatives for local finance options for future development at the airport, including airport revenues, direct funding from the Town, bonds, and leasehold financing.

There are several municipal bonding options available to the Town of Payson including: general obligation bonds, limited obligation bonds, and revenue bonds. General obligation bonds are a common form of municipal bond which is issued by voter approval and is secured by the full faith and credit of the Town. Town tax revenues are pledged to retire the debt. As instruments of credit, and because the community secures the bonds, general obligation bonds reduce the available debt level of the community. Due to the community pledge to secure and pay general obligation bonds, they are the

most secure type of municipal bond and are generally issued at lower interest rates and carry lower costs of issuance. The primary disadvantage of general obligation bonds are that they require voter approval and subject to statutory debt limits. This requires that they be used for projects that have broad support among the voters, and they be reserved for projects that have the highest public priorities.

In contrast to general obligation bonds, limited obligation bonds (sometimes referred to as a Self Liquidating Bonds) are secured by revenues from a local source. While neither general fund revenues nor the taxing power of the local community is pledged to pay the debt service, these sources may be required to retire the debt if pledged revenues are insufficient to make interest and principal payments on the bonds. These bonds still carry the full faith and credit pledge of the local community and therefore are considered, for the purpose of financial analysis, as part of the debt burden of the local community. The overall debt burden of the local community is a factor in determining interest rates on municipal bonds.

There are several types of revenue bonds, but in general they are a form of municipal bond which is payable solely from the revenue derived from the operation of a facility that was constructed or acquired with the proceeds of the bonds. For example, a Lease Revenue Bond is secured with the income from a lease assigned to the repayment of the bonds. Revenue bonds have become a common form of

financing airport improvements. Revenue bonds present the opportunity to provide those improvements without direct burden to the taxpayer. Revenue bonds normally carry a higher interest rate, lacking the guarantees of general and limited obligation bonds.

Leasehold financing refers to a developer or tenant financing improvements under a long-term ground lease. The obvious advantage of such an arrangement is that it relieves the community of all responsibility for raising the capital funds for improvements. However, the private development of facilities on a ground lease, particularly on property owned by a municipal agency, produces a unique set of problems. In particular, it is more difficult to obtain private financing as only the improvements and the right to continue the lease can be claimed in the event of a default. Ground leases normally provide for the reversion of improvements to the lessor at the end of the lease term, which reduces their potential value to a lender taking possession. Also, companies that want to own their property as a matter of financial policy may not locate where land is only available for lease.

Master ground leases offer a substantial financial advantage to a private developer as there are not any up-front acquisition costs and lease payments are fully deductible for tax purposes; whereas, owned land cannot be depreciated. This option could be structured as a straight ground lease or as a joint venture. Under a straight

ground lease to a developer, the Town would not be involved in the construction, financing, sale, or lease of buildings for tenants. However, there may be circumstances where the Town will want to participate in the construction of facilities, either as part of a joint venture or to provide inducements to attract certain tenants. The simplest way to do this is to underwrite the construction and financing of those facilities, keeping them in Town ownership and leasing them to tenants.

As a joint venture partner, the Town would provide funds for construction and permanent financing. A joint venture could be structured so that the various benefits would be available for each partner according to their highest use; for example: tax benefits (such as depreciation) would go to the private developer while cash income would go to the Town. This could be used successfully to fund individual buildings for specific tenants, where lower rents could be charged in exchange for partial ownership, producing income from both rents and interest payments.

These financing techniques offer marketing inducements, as they assume the Town can obtain lower-cost funds than are available in the private market. These lower costs can then be passed through to the development process to reduce lower rental rates. To avoid the appearance of unfairly competing with the private sector, it will be important to establish comparable market rental rates.

## **RATES AND FEES ANALYSIS**

A Rates and Fees Analysis has been completed as part of this Master Plan study to assist the Town of Payson in determining reasonable rates and charges for airport facilities by estimating the existing market rental rates of various airport facilities. The Rates and Fees Analysis examined lease rates for the following items: monthly tiedown rate for a single-engine aircraft, monthly rental rate for an individual T-hangar space, monthly rental rate for interior storage areas on each end of a typical T-hangar, monthly rental rate for a twin-engine T-shade or shadeport hangar, monthly rental rate for a 2,500 square-foot hangar, annual rental rate for the restaurant ground lease, annual ground lease for a typical single engine T-hangar facility, and annual ground lease for a 12,000 square-foot fixed based operator site.

The Rates and Fees Analysis compared rental rates of similar facilities at various airports across Arizona to estimate the existing market rates for airport facilities. A copy of the rates and fees analysis, prepared by Bruce D. Greenberg, Inc., is provided in **Appendix B** of this Master Plan.

## **SUMMARY**

The best means of beginning the implementation of recommendations of this master plan is to first recognize that planning is a continuous process that does not end with completion of the master plan. Rather, the ability to

continuously monitor the existing and forecast status of airport activity must be provided and maintained. The basic issues upon which this master plan is based will remain valid for several years. As such, the primary goal is for the airport to evolve into a facility that will best serve the air transportation needs of the region and to evolve into a self-supporting economic generator for the Town of Payson.

Toward meeting this goal, successful implementation of airport improvement projects will require sound judgement by the Town of Payson. Among the more important factors influencing the decision to carry out a specific improvement are timing and airport activity. Both factors should be used as references in the implementation of the master plan. In this master plan, focusing on the timing of airport improvements was necessary. However, the actual need for facilities is more appropriately established by airport activity levels rather than a specified date.

For example, projections have been made as to when additional T-hangar facilities would be needed to accommodate based aircraft growth. However, in reality, the time frame in which additional facilities are needed may be substantially different. Actual demand may be slow in reaching forecast activity levels. On the other hand, increased based aircraft totals may establish the need for new facilities much sooner. Although every effort has been made in this master planning process to conservatively estimate when facility development may be needed,

aviation demand will dictate when facility improvements need to be accelerated or delayed.

The real value of a usable master plan is that it keeps the issues and objectives in the mind of the user so that he or she is better able to recognize change and its effect. In addition to adjustments in aviation demand, decisions made as to when to undertake recommended improvements in this master plan will impact the period that the plan remains valid. The format used in this plan is intended to reduce the need for costly updates. Updating can be done by the

user, improving the plan's effectiveness.

In summary, the planning process requires the Town of Payson to consistently monitor the progress of the airport in terms of total aircraft operations, total based aircraft, and overall aviation activity. Analysis of aircraft demand is critical to the exact timing and need for new airport facilities. The information obtained from continually monitoring airport activity will provide the data necessary to determine if the development schedule should be accelerated or delayed.